

DECISION MEMORANDUM

**TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: WELDON STUTZMAN
DEPUTY ATTORNEY GENERAL**

DATE: APRIL 20, 2010

**SUBJECT: IDAHO POWER COMPANY'S APPLICATION TO IMPLEMENT
POWER COST ADJUSTMENT RATES FOR JUNE 1, 2010 – MAY 31,
2011, CASE NO. IPC-E-10-12**

On April 15, 2010, Idaho Power filed an Application to implement its Power Cost Adjustment (PCA) rates effective June 1, 2010 through May 31, 2011. The Application states that the proposed PCA computation results from a Stipulation approved by the Commission in Order No. 30978, Case No. IPC-E-09-30 issued January 13, 2010. Currently the PCA revenue is \$188,847,304, and the Company proposes to reduce the net PCA revenue pursuant to the terms of the Stipulation previously approved by the Commission. Accordingly, the first \$40 million of PCA rate reduction is allocated evenly between Idaho Power and its customers. The next \$20 million is allocated directly to customers, resulting in a total of \$40 million of direct customer rate reduction in the 2010 PCA rate. The Company proposes to allocate \$3,567,390 of the remaining \$27 million PCA rate reduction to an increase in the base level for net power supply expenses. This is an amount required to reach the level of net power supply expense set by the Commission in Order No. 31042 in Case No. IPC-E-10-01. Finally, the Company allocates \$17,990,992 of the PCA rate reduction to customers and \$5 million to the Company consistent with the terms of the Stipulation approved in Case No. IPC-E-09-30.

The PCA consists of three components: (1) the projected power cost for the coming year; (2) the true-up of the power cost component where the balance of the power cost deferral from the previous year is credited or collected, based on the actual power cost incurred during year; and (3) reconciliation of the previous year's true-up component under which any over-recovered or under-collected balance of the true-up deferral from the prior year is credited or

collected. The projected power cost component includes calculation of non-PURPA expenses as quantified in the Company's operating plan as compared to those quantified in Case No. IPC-E-10-01, and PURPA-related expenses, also as quantified in the Company's operating plan compared to those quantified in Case No. IPC-E-10-01. The Company calculates the non-PURPA expense component of the PCA to be 0.1319 cents per kWh, and the rate for the PURPA expenses at 0.0085 cents per kWh.

Idaho Power calculates the true-up component of the PCA to be 0.0888 cents per kWh, reflecting a true-up balance at the end of March 2010 of \$11,963,777.

The third component of the PCA is the reconciliation of the previous year's true-up. During April 1, 2009 through March 31, 2010, the Company recovered \$11,284,407 less than was necessary to satisfy the 2009/2010 PCA true-up. The result is a rate of 0.0838 cents per kWh for reconciliation of the true-up component. The combination of the three PCA components results in a new PCA rate for the 2010/2011 PCA year of 0.3130 cents per kWh. The existing PCA rate is 1.4022 cents per kWh. The projected PCA rate will result in a decrease in PCA revenue in the amount of \$146,692,686. Application, p. 8. However, base rates increase by \$88,701,964 as a result of implementing the stipulated PCA rate reduction, which Idaho Power allocates to permanent base rates on a uniform percentage basis to all customer classes and special contract customers. Application, p. 6. The net result is a total rate decrease for customers in the amount of approximately \$58 million.

Idaho Power included in its Application information regarding the proposed increase in the Bridger Coal plant net power supply costs. The Company asserts this information is provided consistent with the Commission's direction in Order No. 31042 issued in Case No. IPC-E-10-01. Idaho Power reports that the \$24.8 million proposed net power supply cost increase related to Bridger Coal is primarily due to a new coal supply agreement with the Black Butte Mine as well as higher operating costs at Bridger Coal Company. The Company included prefile testimony with its Application to explain the proposed coal price adjustment.

Idaho Power requests that its Application to establish 2010-2011 PCA rates be processed by Modified Procedure. Staff recommends that the Commission issue a Notice of Application and Notice of Modified Procedure with a 21-day comment period to process the Company's Application.

COMMISSION DECISION

Should the Commission issue a Notice of Application and Notice of Modified Procedure establishing a 21-day comment period to process Idaho Power's Application to establish 2010-2011 PCA rates?

A handwritten signature in black ink, appearing to read 'WBS', followed by a horizontal line.

Weldon B. Stutzman
Deputy Attorney General

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